



THE COMMONWEALTH OF MASSACHUSETTS
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MEMORANDUM

TO: Interested Persons
FROM: Michael J. Sullivan, Director *MJS*
SUBJECT: Restrictions on Contributions by State and Municipal Securities Dealers

From time to time OCPF receives questions regarding the extent to which stock brokers, bond dealers, state and municipal securities dealers and other persons dealing with state and municipal securities, referred to in this memorandum as "securities dealers," may contribute to candidates, political party committees, political action committees (PACs) or other entities.

The campaign finance law, M.G.L. c. 55, does not contain any specific limit on contributions by securities dealers. The campaign finance law does, however, contain provisions which securities dealers should be aware of. For example, an individual eighteen years of age or older may contribute no more than \$500 to any one candidate during a calendar year, unless the individual is a lobbyist, in which case the individual may contribute no more than \$200 to any one candidate during a calendar year. See M.G.L. c. 55, §§ 7A. In addition, contributions made to a candidate through a "regulated intermediary," such as a person who directs or authorizes the collection or delivery of contributions from corporate officers or employees, may be treated as contributions from the regulated intermediary to the candidate. Such contributions place special limitations and reporting obligations on the regulated intermediary. See M.G.L. c. 55, § 10A. Finally, no person doing business with the commonwealth or any of its subdivisions may be required to contribute to any political fund, or to render any political service to a candidate. See M.G.L. c. 55, § 16A.

Although the campaign finance law does not contain specific provisions applicable to securities dealers, the Municipal Securities Rulemaking Board (MSRB), a regulatory organization established by Congress that is overseen by the Securities and Exchange Commission, has issued rules relating to securities dealers effecting municipal securities transactions. The term "municipal securities" includes securities issued by state and local governmental entities. MSRB Rule G-37, as of the date of this memorandum, generally provides that securities dealers may not engage in municipal securities business with a state or local governmental entity that issues securities for two years after making a contribution to certain officials of the entity. The prohibition on municipal securities business also applies to contributions made to political party committees, PACs, or other entities, if such contributions are made to indirectly support an official of a governmental entity that issues municipal securities. In addition, the securities dealer may not solicit contributions or coordinate the making of contributions to such officials if the securities dealer is seeking to engage in municipal securities

business with that entity. The rule exempts certain contributions from its provisions. We strongly encourage securities dealers to contact the MSRB for more information about the rule.

Rule G-37 also contains recordkeeping and disclosure requirements to facilitate compliance with, and enforcement of, its provisions. Reports required by the rule must be made to MSRB, not OCPF.

To learn more about MSRB Rule G-37, please contact the MSRB at 1150 18th Street, N.W., Suite 400, Washington, DC 20036-2491 (telephone: 202-223-9347, fax: 202-872-0347). MSRB Rule G-37 and all other MSRB rules are contained on the Board's Web site at www.msrb.org.